

## **CORPORATE OPTIONS FOR BREAKING CYCLES OF CONFLICT**

Mary B. Anderson and Luc Zandvliet

When international corporations operate in zones of conflict, their operations inevitably affect and are affected by the conflict. Simply by entering a foreign context, a company becomes a part of it, and when that context involves warfare, corporations inadvertently become embroiled in the intergroup struggles that underlie and propel the conflict.

All corporations recognize and plan for the effects of conflicts on their operations. They develop strategies to manage the costs from theft and sabotage (of supplies, product, plants); risks to staff safety (violence, kidnapping); litigation (current cases or prediction/prevention of future lawsuits); and disruption (insufficient foreign exchange, supply shortages). In addition, corporations increasingly encounter reputational costs when advocacy groups challenge their interactions with corrupt or oppressive regimes or human rights abuses—conditions frequently associated with conflicts. In response, many companies have undertaken extensive efforts to establish procedures and implement programs for progressive and responsible behavior.

### **A Too-Narrow View of Reality**

However, many efforts to manage and mitigate the negative effects of conflict on business operations show only partial and disappointing results. A review of these efforts provides a clue as to why this is the case. Very often, corporate understanding of the impacts of conflicts on their operations is framed too narrowly and, thus, provides an insufficient basis for developing effective mitigation strategies.

The effects of conflict on corporations occur at three different levels. First there are the conflicts between corporations and the communities where they are located. Second, corporations often become the proxy targets for grievances held by some groups against a distant government or other holders of wealth. International corporate strategies for dealing with conflict focus on these two levels.

A third level of conflict—equally important for corporate operations—has to do with intergroup or intercommunal conflicts that originally have nothing to do with the corporation but that may be exacerbated by corporate operations.

Even when a company is an outsider to pre-existing and ongoing local conflicts among groups, normal, day-to-day business operations are viewed by those involved in local conflicts as important to, and having an impact on, the outcomes of their struggles. These broader societal conflicts, whether they are open civil wars or smaller intergroup struggles involving intermittent violence, must also be considered by corporate managers concerned with reducing the costs of the three levels of conflict against their operations.

Corporations tend to define and design their conflict strategies only in terms of their—the corporation’s—conflicts with groups in the society. Framing their choices and responses in relation to these most visible and apparent threats leads to the adoption of mitigation strategies that are too narrow to respond to external, intra-societal conflicts.

Unless they are understood within the broader context, corporate efforts to establish good relations with their local working environment—worthy and important as these efforts are—can feed into and exacerbate the existing divisions between groups. And, this worsening of relations among adversaries frequently turns back on the corporation itself.

The two following diagrams picture the process by which corporate operations intended to affect specific groups such as the surrounding communities or governments, can feed into a broader conflict dynamic in negative ways. In both diagrams I and II, we posit a situation in which groups A and B are in conflict. (In many places, there are many more than two groups in ongoing conflict.) In diagram I, the corporation engages with its surrounding community A. This engagement may be proactively positive, involving community development activities such as providing schools or clinics, or it may be routine, involving hiring workers, maintaining security or any of the normal functions associated with doing business. These interactions are depicted by the small arrows between Company and Local Community A.

What is not seen by most corporate managers is depicted by the bold arrow between local community and wider context of conflict; that is, as the local community is either positively or negatively affected by direct corporate work, groups within the wider context are either inflamed by any advantages accruing to group A or emboldened by adverse impacts on this group. Whatever the impact of corporate actions on Group A, it affects their power in relation to groups in the wider context in ways that impacts on the ongoing conflict. These effects, as the shaded arrow suggests, can feed back onto the company.

Diagram I

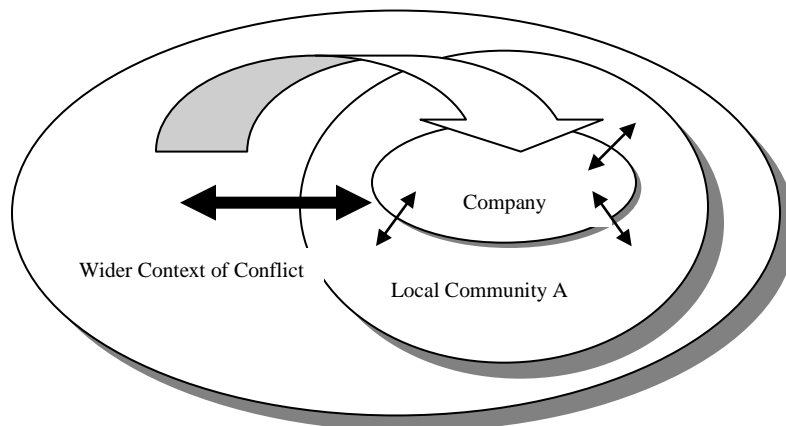
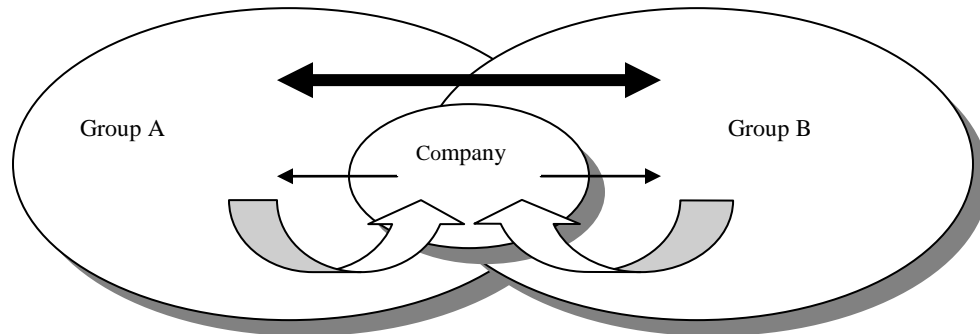


Diagram II shows a variation in which the corporation locates in a zone that encompasses some parts of both groups A and B, possibly because that is where the resource on which they depend is located. Unaware of A’s and B’s relationships, they again interact with the leaders and

communities contiguous to their operations. These activities may, in turn, enable each group to pursue the ongoing intergroup conflict more vigorously or feed into their competition for resources and power. The two groups pictured in this diagram may represent two local communities in conflict; two groups within a community (such as youth and older leaders); or, as is often the case where international companies operate, a group of dissidents and a national government. Each side sees any advantage gained by the other as enabling them to win and, thus, each attempts to interfere with the corporation's ability to interact with the other group.

Diagram II



### Neither Necessary Nor Inevitable

These negative interactions are not inevitable. Experience shows that *with an understanding of the broader context and how their operations interact with it*, companies can design their operations to reduce such unintended impacts and, instead, to enhance support for forces within the society that contribute to stability and peace between groups.

The first step of understanding how corporate operations interact with the broader conflict is to “pattern” the way that standard operational decisions interact with intergroup relations in conflict zones. That is, through observation of corporate activities in a range of conflict areas, it is possible to identify the patterns that recur, across contexts, again and again. Once these are well identified, it is possible to predict—and thus prevent—them.

Some such patterns have already been observed in a variety of contexts.

1. **Resources Importation:** When corporations introduce significant resources into a resource-scarce environment that is in conflict, these resources are seen as potential spoils of, and supplies for, war. Corporate resources such as equipment, vehicles, supplies or products can be stolen to feed the coffers of fighters. Local authorities always impose levies or taxes for corporate activities carried out in areas under their control. When this authority is, itself, engaged in civil war with other segments of its own society; these payments support the war. Similarly, bribes or kickbacks can feed directly into systems of corruption linked to support of conflict. All of these resource transfers can provide the means for fighting; they also reinforce economic motivations for conflict.

2. **Recruitment Patterns:** If a company hires all of its local staff from one sub-group in society (because of language, training or location), and if this sub-group is defined as one of the groups in conflict with others, the effects of the corporate hiring patterns are to feed intergroup jealousy.
3. **Security Measures:** Procedures adopted by security personnel can reinforce the separation of people with wealth from workers and communities in showy ways, or treat local people with disrespect and hostility. They can supply additional weapons and other equipment, such as radios, that enable pursuit of war. Security people, especially if they are locally hired, often have an interest in using their position to gain power vis a vis other groups. When local security firms are hired to provide protection, they have more to gain by maintenance of a constant threat than by reducing it. Payments to local security forces can feed directly into ongoing intergroup conflict. When security is provided by authorities who are also part of the conflict, this legitimizes the authority of these security forces including their activities to “protect company interests”. One result of all of these may be increased attacks on corporate operations or staff. In addition, the surrounding environment of insecurity and threat may be reinforced.
4. **Location Decisions:** Corporate decisions about location of plants, staff housing, warehousing, and other infrastructure meant to serve the purposes of production or distribution of corporate goods, can have two effects that exacerbate conflict.
  - 4.a. Impact on Land Value/Usage: Decisions about locations affect land use patterns (sometimes favoring one side of a conflict over others) and land values (also with unequal distributional impacts). These can reinforce competition between communities if the groups that benefit or lose from these decisions match or overlap with those in conflict.
  - 4.b. Population Movement/Location: Corporate location decisions, especially where significant numbers of local people are employed, can affect migration and settlement decisions of local people. Especially in areas where access to a particular geographical location (e.g. a mine) needs to be “secured”, corporate location decisions can cause (forced) displacement of some groups while encouraging others to immigrate. Such population movements are often manipulated by local leaders to further their conflict agendas.
5. **Definition of Community and of Leadership:** Corporate interactions with communities have several potential impacts.
  - 5.a. Compensation: How companies define geographical borders and leadership as a basis for their rewards or compensation can increase competition and hostility among communities and/or can legitimize some leaders and weaken others, thus feeding into group definitions and intergroup divisions.
  - 5.b. Impact on Stability and the Rule of Law/Tradition: Corporate rewards to community leaders who can ensure peace with their communities can cause many more “leaders” to emerge to extract such rewards from the corporation. Where youth have seen their traditional leaders take such payments, they have sometimes rejected the authority of the leaders’ traditional roles and, themselves, adopted violence against corporations in order to “get in on” the payments. General lawlessness is reinforced.

6. **Provision of services:** When corporations establish social service systems for communities where they want peaceful relations in the midst of broader conflict, these systems can substitute for supports that would ordinarily have been supplied by community leaders or government, thus freeing up these internal resources for the pursuit of warfare.
7. **Differences in incentive structures between staff:** When corporations maintain starkly divergent wage scales for local and international labor, or when they provide special facilities for expatriates not matched by comparable benefits for local employees, the sense of divergent wealth can feed into existing grievances against the wealthy of that society. Even though the corporation is not responsible for such inequalities in local wealth, it can become an available and easy target for expressions of grievance.
8. **Internal accountability structures:** A corporation's arrangements for allocating responsibility within its own operations can reinforce decision-making that, inadvertently, worsens violence. For example, in one corporation, the local manager in a war area was held accountable only for the bottom line of his production unit. When staff were kidnapped, their ransoms were paid from a headquarters "cost of doing business" account. This local manager was making a number of decisions with regard to hiring and firing of local staff that greatly increased the likelihood of kidnapping. His incentives were to minimize his costs relative to his returns.

### **Even Special Actions Can Go Bad/Even Normal Actions Can Do Good**

The patterns above can occur even when, motivated by corporate responsibility, companies undertake special activities to engage with communities where they operate. Building schools and clinics, working with local leaders, promoting local economic activities can all feed conflict, rather than reduce it, if there is no analysis of how choices made with regard to these programs will play into the conflicts in the broader society. Alternatively, even routine business decisions can (re)integrate divided groups, encourage intergroup cooperation and interdependence, (re)strengthen reliable and trusted authorities and, otherwise, contribute to broader social and political stability if designed to take account of the wider context.

The argument here is *not* that corporations should become "peace" agencies. Rather, the point is that simply by working within a context of conflict, they inevitably influence that context either positively or negatively. Understanding the patterns by which negative impacts occur can point toward the range of available practical options that can avoid worsening intergroup relations and can promote overall just social and political structures. Successful alternative strategies can lower the risks, and possibly the costs, of doing business in conflict areas. They can also demonstrate genuine wider corporate responsibility for bettering the lives and futures of communities where business is done.

## **The Alternative**

Most corporations recognize that the mitigation of conflict risks is not their full challenge. They know that long-term corporate success and profits also depend on their ability to engage constructively with the societies where they work.

The options by which positive impacts occur require more examination. We know that some companies succeed in establishing operations that reinforce peace rather than war. In one war-torn country where two corporations have operations, one spends annually over one-hundred times as much as the other on programs designed to better community relations and, nonetheless, suffers repeated staff kidnappings and plant attacks while the company that spends less on ostensibly “bettering relations” experiences virtually no disruption or violence. This divergence suggests that “peace” for the company cannot be bought. Rather, more accurate analysis of pre-existing schisms in the society and of how corporate operations affect these, must form the basis for an effective community engagement effort that establishes cordial relations and a stable working environment for the company and, at the same time, supports existing societal forces that integrate communities and build toward a peaceful, inclusive future.

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